Ltd., comprising of five units have been ordered for closure by BIFR. Appeals in respect of these three undertakings are pending before AAIFR. No final decision has yet been taken in respect of the other Public Sector Units.

Government makes mockery of MoU Treasury Bills

973. SHRI SATISH AGARWAL:
SHRI VIREN J. SHAH:
SHRI PRAMOD MAHAJAN:

Will the Minister of FINANCE be pleased to state:

(a) whether Government has seen a report in the Pioneer of July 21, 1995 under the heading, "Government makes a mockery of MoU on treasury bills;"

(b) the facts in respect of the above report;

(c) the details of MoU signed between the Government and the Reserve Bank of India to limit the issuance of ad hoc treasury bills;

(d) the value of ad hoc 91 day treasury bills issued by RBI to the Central Government on June 16, 1995 and whether by July 14, 1995 the amount of ad hoc treasury bills issued by the RBI had risen to the level of Rs. 16065 crores.

(e) whether RBI had cautioned Government on 19th July, speaking at Madras against the rising deficit and borrowings; and

(f) if so, the response of Government thereto?

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): (a) Yes Sir.

(b) The report refers to an increase in Government financing through ad-hoc Treasury Bills as detailed in part (d) to the answer.

(c) An agreement was signed on 9th September, 1994 between the Government of India and the Reserve Bank of India with the aim of phasing out automatic recourse to RBI financing for the Budget. The details of the Agreement are:

(i) The net issue of ad hoc Treasury Bills at the end of the financial year 1994-95 should not exceed Rs. 6,000 crore.

(ii) The net issue of ad hoc Treasury Bills should not exceed Rs. 9,000 crore for more than 10 continuous working days at any time during the financial year 1994-95;

(iii) If the net of ad hoc Treasury Bills exceeded Rs. 9,000 crore for more than 10 continuous working days at any time during the year, the Reserve Bank of India will automatically reduce the excess level of ad hoc Treasury Bills by auctioning Treasury Bills or floatation of Government of India dated securities.

(iv) Similar ceiling for the net issue of ad hoc Treasury Bills would be stipulated for 1995-96 and 1996-97 and from 1997-98, the system of ad hoc Treasury Bills would be totally discontinued.

For the year 1995-96 it was stipulated that the net issue of ad hoc Treasury Bills should not exceed Rs. 5,000 crore at the end of 1995-96. The within-the-year ceiling for 1995-96 was fixed at Rs. 9,000 crore.

(d) to (f) The net issue of ad hoc Treasury Bills over the end of March 1995 level as on June 16, 1995 amounted to Rs. 13,635 crore. It came down to Rs. 8,895 crore as on June, 24, 1995. However, it rose to Rs. 16,065 crore as on July 14, 1995. The reasons for the large increase in ad hoc Treasury Bills in the first four months of 1995-96 are the relatively low volume of net market borrowing of the Government in this period. As on July 14, 1995, net market borrowing was only Rs. 2,985 crore against Rs. 12,056 crore for the comparable period in 1994. This is a temporary phenomenon and the Reserve

Bank is taking steps to ensure that the market borrowing programme moves in phase with Budget Estimate projections.

The Government is aware of the adverse effects on monetising the budget deficit and it is expected that the excess of ad hocs over the within-the-year ceiling will be eliminated as soon as possible.

Impact of interim relief on price rise

974. SHRI V. NARAYANASAMY: Will the Minister of FINANCE be pleased to state:

(a) whether the Pay Panel, while fixing the interim relief at 10% of pay for all Central Government Employees, according to their report, also wanted the Government to study the impact of it on price level;

(b) if so, the reaction of the Government; and

(c) steps taken by Government to set up a study group in this regard?

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): (a) No, Sir.

(b) and (c) In view of reply to (a) above, the question of any reaction or steps to be taken by the Government in this regard will not arise.

Changes in economic laws

975. PROF. VIJAY KUMAR MALHOTRA: Will the Minister of FINANCE be pleased to state:

(a) whether the attention of Government have been drawn to the news item captioned "World Bank bid to enhance effectiveness of Indian reforms; changes in economic laws mooted" appearing in the Indian Express dated 18th June, 1995;

(b) if so, the facts thereof;

(c) the reaction of the Government thereto;

(d) whether there is also any proposal to simplify the IT Act; and

(e) if so, the details thereof and by when it is proposed to be simplified?

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): (a) and (b) A news item captioned "World Bank bid to enhance effectiveness of Indian reforms; changes in economic laws mooted" was published in Indian Express dated 18th June, 1995. As per the news item the World Bank has admitted that India's legal system is adequate to facilitate the objectives of the ongoing economic reforms programme but stressed the need for reduction in involvement of Government and its agencies in litigation. The World Bank has emphasised the need for a comprehensive plan to strengthen the process of commercial arbitration; establishment of an efficient system of labour dispute settlement; rationalisation of stamp duty as well as State tax laws to facilitate commercial transactions; establishment of an effective system of land titling and creating an autonomous regulatory authorities in the power sector at the Centre and the States.

(c) The Government always takes into consideration the views expressed by individuals or organisations while formulating appropriate economic laws and policies.

(d) and (e) The Government have already taken several measures to rationalise and simplify the tax laws which include reduction in tax rates; presumptive scheme of taxation for small businessmen; simplified method of computation of income on estimate basis in the case of small contractors and transporters; streamlining the concessions available under the Income Tax Act and introduction of simplified income tax return form for persons having income less than Rs. 1,20,000.00 etc.